



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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**STATE TREASURER ANGELIDES, ASSEMBLYMEMBER CHU,
SMALL BUSINESS AND COMMUNITY LEADERS CALL FOR CLOSING
OFFSHORE TAX LOOPHOLE**

*Leaders Urge Governor and Legislature to Crack Down on Corporations
Evading Their Fair Share of California Taxes*

SACRAMENTO, CA – California State Treasurer Phil Angelides and Assemblymember Judy Chu (D – Monterey Park) joined Sacramento small business leaders, senior citizens, students and disability rights advocates today to urge Governor Schwarzenegger and members of the Legislature to support legislation to stop publicly traded U.S. corporations from evading their fair share of California taxes by relocating offshore – in name only – to locales such as Bermuda. The Treasurer is scheduled to testify today before the Assembly Revenue and Taxation Committee in support of Assembly Bill 441, authored by Assemblymember Chu and sponsored by the Treasurer, that would plug the offshore tax loophole that will cost the state at least \$132 million over the next ten years.

“Signing up for a mailbox in Bermuda shouldn’t excuse corporations from paying taxes here at home,” said Angelides. “This loophole robs our state of funding for critical services and leaves California businesses that play by the rules at a distinct disadvantage. Hardworking small business owners in our communities should not be forced to compete on an uneven playing field against multinational corporations that avoid paying their fair share of taxes.”

“An oversight in state law allows a number of unethical and anti-competitive companies to exploit tax law to legally export tax dollars out of the USA that would have otherwise paid for schools and public safety programs. Closing this outrageous loophole sends a clear message that California is business friendly to businesses that do their fair share to invest in our roads, schools, firefighters, police and hospitals,” stated Chu.

Eighteen out of more than 8,000 publicly traded companies – companies like Ingersol Rand and Tyco – have restructured as foreign corporations in offshore tax havens in recent years. These “corporate expatriates” maintain their headquarters and operations in the United States, enjoying the benefits of operating as U.S. companies, but avoiding federal and state taxes and skirting legal protections for investors.

“Refusing to close this indefensible loophole is an example of the lack of fairness in the Governor’s budget,” said Angelides. “Over the last two years, Governor Schwarzenegger has repeatedly promised he ‘will not raise taxes.’ But what he really means is that, while he is more than willing to raise taxes and fees on working families and students by \$1.6

billion, he won't ask one corporation with a phony mailbox in Bermuda to pay their fair share."

California will lose at least \$132 million in revenue over the next 10 years as a result of corporate expatriations that have already occurred. AB 441 would prevent any new companies from taking advantage of this loophole in the future, and close the loophole for companies that have already expatriated.

Angelides and Chu have worked to close the expatriate tax loophole in previous years. In 2004, Angelides sponsored Assembly Bill 2584, authored by Assemblymember Chu, which would have closed the tax loophole for expatriate corporations. The legislation enjoyed bipartisan support, but failed to gain a two-thirds supermajority in the Assembly. During the last legislative session, "aye" votes were cast for the measure at various times by Republican Assemblymembers Garcia, Horton, and Maldonado. Efforts to close a similar offshore tax loophole have gained support from Republicans including Senator John McCain (R – Arizona) and Senator Charles Grassley (R – Iowa), the Chairman of the Senate Finance Committee.

Treasurer Angelides has been a national leader in fighting to end the troubling practice of corporate expatriation. In July 2002, Angelides banned the State's \$61 billion Pooled Money Investment Account (PMIA) from investing in publicly held U.S. corporations that reincorporate in offshore tax havens and prohibited the State Treasurer's Office from contracting with or engaging in any business dealings with expatriate U.S. companies. In 2003, the Treasurer sponsored SB 640, authored by Senate President pro Tem John Burton (D-San Francisco) and signed into law by then-Governor Davis, which prohibits the State of California from contracting with publicly held U.S. corporate expatriate companies, unless those companies agree to shareholder protections and to pay their fair share of taxes.

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